



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Mary Mosiman, CPA
Auditor of State

NEWS RELEASE

FOR RELEASE _____ April 28, 2014

Contact: Andy Nielsen
515/281-5834

Auditor of State Mary Mosiman today released an audit report on the City of Clarinda, Iowa.

The City's receipts totaled \$6,815,388 for the year ended June 30, 2013, a 20.3% decrease from the prior year after adjusting for the exclusion of the Clarinda Regional Health Center and Affiliate's receipts. The receipts included \$2,117,165 in property tax, \$111,514 in tax increment financing, \$2,835,085 from charges for service, \$945,852 from operating grants, contributions and restricted interest, \$280,098 from capital grants, contributions and restricted interest, \$468,813 from local option sales tax, \$46,304 from hotel/motel tax, \$5,390 from unrestricted interest on investments, and \$5,167 from other general receipts.

Disbursements for the year ended June 30, 2013 totaled \$6,716,978, a 13.5% decrease from the prior year after adjusting for the exclusion of the Clarinda Regional Health Center and Affiliate's disbursements, and included \$1,229,097 for public safety, \$964,396 for culture and recreation and \$806,227 for capital projects. Also, disbursements for business type activities totaled \$1,994,409.

The significant decrease in receipts and disbursements is due primarily to bond proceeds received in the prior year used to fund projects and refund bonds.

A copy of the audit report is available for review in the City Clerk's Office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/1320-0674-B00F.pdf>.

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CITY OF CLARINDA
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
SUPPLEMENTARY AND OTHER INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2013

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City of Clarinda

Officials

| <u>Name</u> | <u>Title</u> | <u>Term Expires</u> |
|----------------|------------------------------|---------------------|
| Gordon Kokenge | Mayor | Jan 2014 |
| Gary Alger | Mayor Pro tem | Jan 2016 |
| Merlin Hicks | Council Member | Jan 2014 |
| Darrel Wichman | Council Member | Jan 2014 |
| Lisa Hull | Council Member | Jan 2016 |
| Jeff McCall | Council Member | Jan 2016 |
| Gary McClarnon | City Manager/Clerk/Treasurer | Indefinite |
| Ron Bitting | Attorney | Indefinite |

City of Clarinda



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Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Clarinda, Iowa, as of and for the year ended June 30, 2013, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Summary of Opinions

| <u>Opinion Unit</u> | <u>Type of Opinion</u> |
|---|------------------------|
| Governmental Activities | Unmodified |
| Business Type Activities | Adverse |
| Major Governmental Funds: | |
| General | Unmodified |
| Special Revenue: | |
| Road Use Tax | Unmodified |
| Employee Benefits | Unmodified |
| Local Option Sales Tax | Unmodified |
| Tax Increment Financing | Unmodified |
| Debt Service | Unmodified |
| Capital Projects | Unmodified |
| Major Enterprise Funds: | |
| Clarinda Regional Health Center and Affiliate | Adverse |
| Water | Unmodified |
| Sewer | Unmodified |
| Aggregate Remaining Fund Information | Unmodified |

Basis for Adverse Opinion on the Enterprise, Clarinda Regional Health Center and Affiliate Fund and on Business Type Activities

Management has not included the Enterprise, Clarinda Regional Health Center and Affiliate Fund in the City's financial statements because the Clarinda Regional Health Center and Affiliate reports in accordance with generally accepted accounting principles, a different financial reporting framework than the City's cash basis of accounting. Accounting principles require this fund be presented as a major enterprise fund and financial information about the Enterprise, Clarinda Regional Health Center and Affiliate Fund be part of the business type activities, thus increasing that activity's receipts and disbursements, and changing its net position. The amounts by which this departure affects the receipts, disbursements and cash balance of the business type activities and the omitted major fund are \$24,962,075, \$23,955,831 and \$10,378,209, respectively.

Adverse Opinions

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on the Enterprise, Clarinda Regional Health Center and Affiliate and on Business Type Activities" paragraph, the financial statements referred to above do not present fairly the cash basis financial position of the Enterprise, Clarinda Regional Health Center and Affiliate Fund and the business type activities of the City of Clarinda as of June 30, 2013, or the changes in cash basis financial position thereof for the year then ended in accordance with the basis of accounting described in Note 1.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the General Fund, the major Special Revenue Funds, including the Road Use Tax, Employee Benefits, Local Option Sales Tax and Tax Increment Financing Funds, the Debt Service Fund, the Capital Projects Fund, the major Enterprise Funds, including the Water and Sewer Funds, and the aggregate remaining fund information of the City of Clarinda as of June 30, 2013, and the respective changes in cash basis financial position for the year then ended in accordance the basis of accounting described in Note 1.

Basis of Accounting

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Clarinda's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2012 (which are not presented herein) and expressed unqualified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

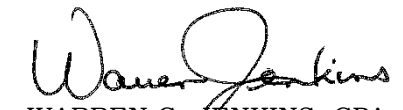
The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. Because of the significance of the matter described in the "Basis for Adverse Opinion on the Enterprise, Clarinda Regional Health Center and Affiliate Fund and on Business Type Activities" paragraph on the preceding page, it is inappropriate to, and we do not, express an opinion on the supplementary information.

The other information, Management's Discussion and Analysis and the budgetary comparison information on pages 9 through 14 and 32 through 34, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated April 4, 2014 on our consideration of the City of Clarinda's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Clarinda's internal control over financial reporting and compliance.


MARY MOSIMAN, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

April 4, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Clarinda provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2013. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2013 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities decreased 30.4%, or approximately \$1,943,000, from fiscal year 2012 to fiscal year 2013. The decrease was primarily due to receiving bond proceeds of approximately \$2,598,000 in the prior fiscal year. Also, capital grants, contributions and restricted interest increased approximately \$247,000 in fiscal year 2013 due to more federal grants received for projects relating to the Clarinda Municipal Airport.
- Disbursements of the City's governmental activities decreased 16.9%, or approximately \$958,000, in fiscal year 2013 from fiscal year 2012. Debt service disbursements decreased approximately \$555,000 and capital projects disbursements decreased approximately \$644,000.
- The City's total cash basis net position increased 2.4%, or approximately \$98,000, from June 30, 2012 to June 30, 2013. Of this amount, the cash basis net position of the governmental activities decreased approximately \$276,000 and the cash basis net position of the business type activities increased approximately \$374,000.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Cash Basis Statement of Activities and Net Position. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide financial statement by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Other Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Supplementary Information provides detailed information about the nonmajor governmental and proprietary funds and the City's indebtedness.

BASIS OF ACCOUNTING

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Cash Basis Statement of Activities and Net Position reports information which helps answer this question.

The Cash Basis Statement of Activities and Net Position presents the City's net position. Over time, increases or decreases in the City's net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Cash Basis Statement of Activities and Net Position is divided into two kinds of activities:

- Governmental Activities include public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the waterworks, the sanitary sewer system, the storm water system and the yard waste system. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Tax Increment Financing, 3) the Debt Service Fund, 4) the Capital Projects Fund and 5) the Permanent Funds, such as Cemetery Perpetual Care and Library Endowment. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains four Enterprise Funds to provide separate information for the Water and Sewer Funds, considered to be major funds of the City, and the Yard Waste and Storm Water Funds.

The required financial statement for proprietary funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

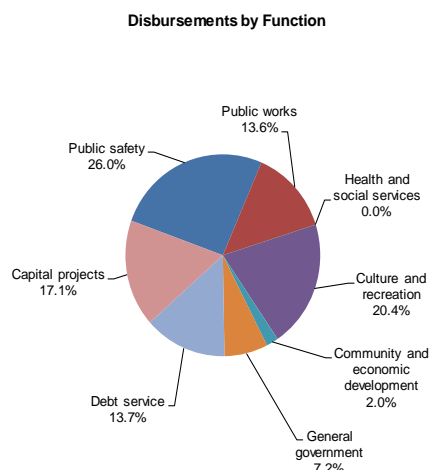
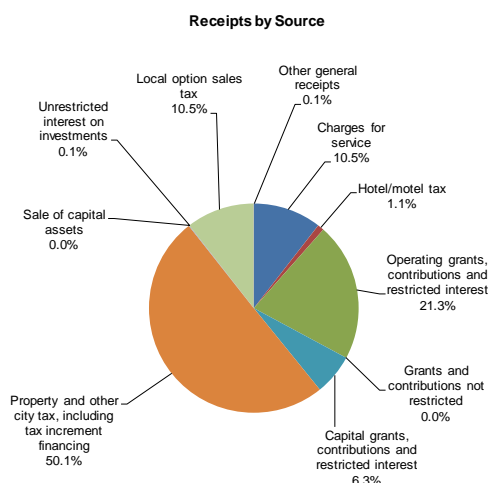
GOVERNMENT-WIDE FINANCIAL ANALYSIS

As described in Note 10 on page 29, the beginning business type activities cash basis net position was restated to exclude the financial activity of the Clarinda Regional Health Center and Affiliate. To enhance comparability, all amounts presented for fiscal year 2012 in this discussion

and analysis were restated, where applicable, to reflect these changes as if the changes had been made in the prior year.

Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased from a year ago, decreasing from \$2,171,504 to \$1,895,934. The analysis that follows focuses on the changes in cash basis net position of governmental activities.

| Changes in Cash Basis Net Position of Governmental Activities | | | |
|--|----|---------------------|-----------|
| | | Year ended June 30, | |
| | | 2013 | 2012 |
| Receipts: | | | |
| Program receipts: | | | |
| Charges for service | \$ | 468,129 | 380,221 |
| Operating grants, contributions and restricted interest | | 945,852 | 765,014 |
| Capital grants, contributions and restricted interest | | 280,098 | 33,334 |
| General receipts: | | | |
| Property and other city tax, including tax increment financing | | 2,228,679 | 2,139,592 |
| Local option sales tax | | 468,813 | 413,911 |
| Hotel/motel tax | | 46,304 | 48,480 |
| Grants and contributions not restricted to specific purposes | | 1,700 | 1,700 |
| Unrestricted interest on investments | | 3,957 | 4,904 |
| Sale of capital assets | | 750 | 1,000 |
| Bond proceeds | | - | 2,597,813 |
| Other general receipts | | 2,717 | 4,096 |
| Total receipts | | 4,446,999 | 6,390,065 |
| Disbursements: | | | |
| Public safety | | 1,229,097 | 1,094,803 |
| Public works | | 641,000 | 652,449 |
| Health and social services | | 1,034 | 14,705 |
| Culture and recreation | | 964,396 | 830,245 |
| Community and economic development | | 94,313 | 96,138 |
| General government | | 340,090 | 340,325 |
| Debt service | | 646,412 | 1,201,605 |
| Capital projects | | 806,227 | 1,449,831 |
| Total disbursements | | 4,722,569 | 5,680,101 |
| Change in cash basis net position | | (275,570) | 709,964 |
| Cash basis net position beginning of year | | 2,171,504 | 1,461,540 |
| Cash basis net position end of year | \$ | 1,895,934 | 2,171,504 |



The City's total receipts for governmental activities decreased 30.4%, or approximately \$1,943,000. The decrease in receipts was primarily the result of the City receiving approximately \$2,598,000 of bond proceeds in fiscal year 2012 compared to none in fiscal year 2013. Capital grants, contributions and restricted interest receipts increased approximately \$247,000 due to receiving more federal receipts related to airport capital projects. Disbursements for the City's governmental activities decreased 16.9%, or approximately \$958,000. The decrease in disbursements was mainly due to a decrease in debt service disbursements for the current refunding of the series 2003 general obligation bonds in fiscal year 2012 and less capital projects in fiscal year 2013 than in fiscal year 2012.

| Changes in Cash Basis Net Position of Business Type Activities | | |
|--|---------------------|-----------|
| | Year ended June 30, | |
| | 2013 | 2012 |
| Receipts: | | |
| Program receipts: | | |
| Charges for service: | | |
| Water | \$ 1,426,182 | 1,319,109 |
| Sewer | 854,132 | 759,306 |
| Yard waste | 24,046 | 23,811 |
| Storm water | 62,596 | 61,725 |
| General receipts: | | |
| Unrestricted interest on investments | 1,433 | 1,850 |
| Total receipts | 2,368,389 | 2,165,801 |
| Disbursements: | | |
| Water | 1,305,587 | 1,232,907 |
| Sewer | 632,673 | 670,895 |
| Yard waste | 13,689 | 10,465 |
| Storm water | 42,460 | 173,257 |
| Total disbursements | 1,994,409 | 2,087,524 |
| Change in cash basis net position | 373,980 | 78,277 |
| Cash basis net position beginning of year | 1,905,370 | 1,827,093 |
| Cash basis net position end of year | \$ 2,279,350 | 1,905,370 |

Total business type activities receipts for the fiscal year were \$2,368,389 compared to \$2,165,801 last year while disbursements for the fiscal year decreased \$93,115, or 4.5%.

The above changes in receipts and disbursements resulted in an increase in the cash balance to an ending balance of \$2,279,350.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Clarinda completed the year, its governmental funds reported a combined fund balance of \$1,895,934 a decrease of approximately \$276,000 from last year's total of \$2,171,504. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance increased \$233,149 from the prior year to \$412,338. Receipts and disbursements increased \$132,021 and \$55,621, respectively.
- The Special Revenue, Road Use Tax Fund cash balance increased \$48,024 to \$184,165. The increase is primarily due to a decrease in public works disbursements during fiscal year 2013.
- The Special Revenue, Employee Benefits Fund cash balance decreased \$9,635 to \$113,557.

- The Special Revenue, Local Option Sales Tax Fund cash balance remained at zero.
- The Special Revenue, Tax Increment Financing Fund cash balance decreased \$93,079 to \$157,967. The decrease is primarily due to an increase in transfers to the Debt Service Fund to retire tax increment financing indebtedness.
- The Debt Service Fund cash balance remained relatively constant with a decrease of \$6,089 to \$14,597.
- The Capital Projects Fund cash balance decreased \$465,385 to \$557,244 during the fiscal year. The decrease was primarily due to spending bond proceeds received in the prior year on projects.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Enterprise, Water Fund cash balance increased \$120,745 to \$960,426. Operating receipts increased 8.1%, or approximately \$107,000, and operating disbursements increased 2.6%, or approximately \$18,000.
- The Enterprise, Sewer Fund cash balance increased \$222,405 to \$1,191,071. Operating receipts increased 12.5%, or approximately \$95,000, and operating disbursements increased 26.9%, or approximately \$124,000. The increase in operating disbursements is due to increased costs in operating the waste water plant and repairs to sewer lines and manholes.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget once. The amendment was approved on May 9, 2013 and resulted in an increase of \$102,000 in budgeted receipts due to sewer receipts, local option sales tax, cemetery receipts and library receipts being better than expected. Also, budgeted disbursements increased \$1,145,000 due to the unplanned replacement of the library roof, the increased number of burials at the cemetery, a city-wide clean-up and unplanned repairs at the sewer plant.

Total actual receipts were \$1,098,469 less than the final budgeted amount, primarily due to a delay in a grant to reimburse the City for a street project. Total actual disbursements were \$3,147,005 less than the final budgeted amount due to the capital projects and business type activities functions spending less than budgeted.

The City exceeded the amount budgeted in the culture and recreation function for the year ended June 30, 2013.

DEBT ADMINISTRATION

At June 30, 2013, the City had \$8,172,000 of bonds and other long-term debt outstanding, compared to \$8,999,000 last year, as shown below.

| Outstanding Debt at Year-End | | |
|------------------------------|--------------|-----------|
| | June 30, | |
| | 2013 | 2012 |
| General obligation bonds | \$ 3,545,000 | 4,090,000 |
| Revenue bonds | 4,627,000 | 4,909,000 |
| Total | \$ 8,172,000 | 8,999,000 |

During the year ended June 30, 2013, the City issued no new debt.

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$3,696,766, including TIF development and rebate agreements of \$151,766, is significantly below its constitutional debt limit of approximately \$9,367,000.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City of Clarinda's elected and appointed officials and citizens considered many factors when setting the fiscal year 2014 budget, tax rates and fees charged for various City activities. One of those factors is the economy. Unemployment in the City now stands at 5.1% versus 5.9% a year ago. This compares with the State's unemployment rate of 4.6% and the national rate of 7.5%.

Property tax is expected to decrease slightly in fiscal year 2014 as compared to fiscal year 2013 due to a decrease in the City's total levy rate from \$17.7300 per \$1,000 of taxable valuation in fiscal year 2013 to \$17.50031 per \$1,000 of taxable valuation in fiscal year 2014.

If these estimates are realized, the City's budgeted cash balance is expected to increase approximately \$760,000 by the close of fiscal year 2014.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Gary McClarnon, City Manager, 200 South 15th Street, City of Clarinda, Iowa 51632-2298.

Basic Financial Statements

City of Clarinda

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2013

| | Disbursements | Program Receipts | | |
|---|---------------|---------------------|---|---|
| | | Charges for Service | Operating Grants, Contributions and Restricted Interest | Capital Grants, Contributions and Restricted Interest |
| Functions/Programs: | | | | |
| Governmental activities: | | | | |
| Public safety | \$ 1,229,097 | 8,952 | 253,804 | - |
| Public works | 641,000 | 65,889 | 533,608 | - |
| Health and social services | 1,034 | - | - | - |
| Culture and recreation | 964,396 | 386,355 | 103,040 | - |
| Community and economic development | 94,313 | - | - | - |
| General government | 340,090 | 6,933 | 55,400 | - |
| Debt service | 646,412 | - | - | - |
| Capital projects | 806,227 | - | - | 280,098 |
| Total governmental activities | 4,722,569 | 468,129 | 945,852 | 280,098 |
| Business type activities: | | | | |
| Water | 1,305,587 | 1,426,182 | - | - |
| Sewer | 632,673 | 854,132 | - | - |
| Yard waste | 13,689 | 24,046 | - | - |
| Storm water | 42,460 | 62,596 | - | - |
| Total business type activities | 1,994,409 | 2,366,956 | - | - |
| Total primary government | \$ 6,716,978 | 2,835,085 | 945,852 | 280,098 |
| Component Unit: | | | | |
| Clarinda Economic Development Corporation | \$ 50,072 | - | - | - |
| General Receipts: | | | | |
| Property and other city tax levied for: | | | | |
| General purposes | | | | |
| Debt service | | | | |
| Tax increment financing | | | | |
| Local option sales tax | | | | |
| Hotel/motel tax | | | | |
| Grants and contributions not restricted to specific purpose | | | | |
| Unrestricted interest on investments | | | | |
| Sale of capital assets | | | | |
| Miscellaneous | | | | |
| Total general receipts | | | | |
| Change in cash basis net position | | | | |
| Cash basis net position beginning of year, as restated | | | | |
| Cash basis net position end of year | | | | |
| Cash Basis Net Position | | | | |
| Restricted: | | | | |
| Nonexpendable: | | | | |
| Permanent Funds | | | | |
| Expendable: | | | | |
| Streets | | | | |
| Employee benefits | | | | |
| Debt service | | | | |
| Capital projects | | | | |
| Other purposes | | | | |
| Unrestricted | | | | |
| Total cash basis net position | | | | |

See notes to financial statements.

| Net (Disbursements) Receipts and Changes in Cash Basis Net Position | | | |
|---|--------------------------|-------------|---|
| Primary Government | | | Component Unit |
| Governmental Activities | Business Type Activities | Total | Clarinda Economic Development Corporation |
| (966,341) | - | (966,341) | |
| (41,503) | - | (41,503) | |
| (1,034) | - | (1,034) | |
| (475,001) | - | (475,001) | |
| (94,313) | - | (94,313) | |
| (277,757) | - | (277,757) | |
| (646,412) | - | (646,412) | |
| (526,129) | - | (526,129) | |
| (3,028,490) | - | (3,028,490) | |
| - | 120,595 | 120,595 | |
| - | 221,459 | 221,459 | |
| - | 10,357 | 10,357 | |
| - | 20,136 | 20,136 | |
| - | 372,547 | 372,547 | |
| (3,028,490) | 372,547 | (2,655,943) | |
| | | | (50,072) |
| 1,782,092 | - | 1,782,092 | - |
| 335,073 | - | 335,073 | - |
| 111,514 | - | 111,514 | - |
| 468,813 | - | 468,813 | - |
| 46,304 | - | 46,304 | - |
| 1,700 | - | 1,700 | 30,000 |
| 3,957 | 1,433 | 5,390 | 2,835 |
| 750 | - | 750 | - |
| 2,717 | - | 2,717 | 23,699 |
| 2,752,920 | 1,433 | 2,754,353 | 56,534 |
| (275,570) | 373,980 | 98,410 | 6,462 |
| 2,171,504 | 1,905,370 | 4,076,874 | 93,348 |
| \$ 1,895,934 | 2,279,350 | 4,175,284 | 99,810 |
| \$ 305,385 | - | 305,385 | - |
| 184,165 | - | 184,165 | - |
| 113,557 | - | 113,557 | - |
| 172,294 | - | 172,294 | - |
| 557,244 | - | 557,244 | - |
| 150,951 | - | 150,951 | - |
| 412,338 | 2,279,350 | 2,691,688 | 99,810 |
| \$ 1,895,934 | 2,279,350 | 4,175,284 | 99,810 |

City of Clarinda

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Governmental Funds

As of and for the year ended June 30, 2013

| | General | Special Revenue | | | |
|---|--------------|--------------------|----------------------|------------------------------|-------------------------------|
| | | Road Use Tax | Employee Benefits | Local Option Sales Tax | Tax Increment Financing |
| Receipts: | | | | | |
| Property tax | \$ 1,218,185 | - | 517,775 | - | - |
| Tax increment financing | - | - | - | - | 111,514 |
| Other city tax | 78,811 | - | 13,625 | 468,813 | - |
| Licenses and permits | 11,814 | - | - | - | - |
| Use of money and property | 56,629 | - | - | - | - |
| Intergovernmental | 120,077 | 533,607 | - | - | - |
| Charges for service | 388,888 | - | - | - | - |
| Miscellaneous | 91,301 | - | - | - | - |
| Total receipts | 1,965,705 | 533,607 | 531,400 | 468,813 | 111,514 |
| Disbursements: | | | | | |
| Operating: | | | | | |
| Public safety | 762,735 | - | 287,535 | - | - |
| Public works | 14,860 | 485,583 | 140,557 | - | - |
| Health and social services | 1,034 | - | - | - | - |
| Culture and recreation | 829,677 | - | 110,202 | - | - |
| Community and economic development | 50,859 | - | - | - | 43,454 |
| General government | 337,349 | - | 2,741 | - | - |
| Debt service | - | - | - | - | - |
| Capital projects | - | - | - | - | - |
| Total disbursements | 1,996,514 | 485,583 | 541,035 | - | 43,454 |
| Excess (deficiency) of receipts over (under) disbursements | (30,809) | 48,024 | (9,635) | 468,813 | 68,060 |
| Other financing sources (uses): | | | | | |
| Sale of capital assets | - | - | - | - | - |
| Operating transfers in | 315,719 | - | - | - | - |
| Operating transfers out | (51,761) | - | - | (468,813) | (161,139) |
| Total other financing sources (uses) | 263,958 | - | - | (468,813) | (161,139) |
| Change in cash balances | 233,149 | 48,024 | (9,635) | - | (93,079) |
| Cash balances beginning of year | 179,189 | 136,141 | 123,192 | - | 250,776 |
| Cash balances end of year | \$ 412,338 | 184,165 | 113,557 | - | 157,697 |
| Cash Basis Fund Balances | | | | | |
| Nonspendable: | | | | | |
| Cemetery perpetual care | \$ - | - | - | - | - |
| Library | - | - | - | - | - |
| Restricted for: | | | | | |
| Public streets | - | 184,165 | - | - | - |
| Employee benefits | - | - | 113,557 | - | - |
| Debt service | - | - | - | - | 157,697 |
| Capital projects | - | - | - | - | - |
| Other purposes | - | - | - | - | - |
| Unassigned | 412,338 | - | - | - | - |
| Total cash basis fund balances | \$ 412,338 | 184,165 | 113,557 | - | 157,697 |

See notes to financial statements.

| Debt Service | Capital Projects | Nonmajor | Total |
|-----------------|---------------------|----------|-----------|
| 326,757 | - | - | 2,062,717 |
| - | - | - | 111,514 |
| 8,316 | - | - | 569,565 |
| - | - | - | 11,814 |
| - | - | 1,305 | 57,934 |
| - | 275,813 | 10,000 | 939,497 |
| - | - | - | 388,888 |
| - | 4,285 | 208,734 | 304,320 |
| 335,073 | 280,098 | 220,039 | 4,446,249 |
| - | - | 178,827 | 1,229,097 |
| - | - | - | 641,000 |
| - | - | - | 1,034 |
| - | - | 24,517 | 964,396 |
| - | - | - | 94,313 |
| - | - | - | 340,090 |
| 646,412 | - | - | 646,412 |
| - | 806,227 | - | 806,227 |
| 646,412 | 806,227 | 203,344 | 4,722,569 |
| (311,339) | (526,129) | 16,695 | (276,320) |
| - | - | 750 | 750 |
| 305,250 | 145,524 | - | 766,493 |
| - | (84,780) | - | (766,493) |
| 305,250 | 60,744 | 750 | 750 |
| (6,089) | (465,385) | 17,445 | (275,570) |
| 20,686 | 1,022,629 | 438,891 | 2,171,504 |
| 14,597 | 557,244 | 456,336 | 1,895,934 |
| - | - | 60,666 | 60,666 |
| - | - | 244,719 | 244,719 |
| - | - | - | 184,165 |
| - | - | - | 113,557 |
| 14,597 | - | - | 172,294 |
| - | 557,244 | - | 557,244 |
| - | - | 150,951 | 150,951 |
| - | - | - | 412,338 |
| 14,597 | 557,244 | 456,336 | 1,895,934 |

Exhibit C

City of Clarinda

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Proprietary Funds

As of and for the year ended June 30, 2013

| | Enterprise | | | Total |
|--|--------------|-----------|----------|-----------|
| | Water | Sewer | Nonmajor | |
| Operating receipts: | | | | |
| Charges for service | \$ 1,426,182 | 852,817 | 86,642 | 2,365,641 |
| Miscellaneous | - | 1,315 | - | 1,315 |
| Total operating receipts | 1,426,182 | 854,132 | 86,642 | 2,366,956 |
| Operating disbursements: | | | | |
| Business type activities | 713,504 | 586,571 | 44,858 | 1,344,933 |
| Excess of operating receipts over operating disbursements | 712,678 | 267,561 | 41,784 | 1,022,023 |
| Non-operating receipts (disbursements): | | | | |
| Interest on investments | 150 | 946 | 337 | 1,433 |
| Acquisition of capital and other assets | (162,813) | (46,102) | (11,291) | (220,206) |
| Debt service | (429,270) | - | - | (429,270) |
| Net non-operating receipts (disbursements) | (591,933) | (45,156) | (10,954) | (648,043) |
| Change in cash balances | 120,745 | 222,405 | 30,830 | 373,980 |
| Cash balances beginning of year, as restated | 839,681 | 968,666 | 97,023 | 1,905,370 |
| Cash balances end of year | \$ 960,426 | 1,191,071 | 127,853 | 2,279,350 |
| Cash Basis Fund Balances | | | | |
| Unrestricted | \$ 960,426 | 1,191,071 | 127,853 | 2,279,350 |

See notes to financial statements.

City of Clarinda

Notes to Financial Statements

June 30, 2013

(1) Summary of Significant Accounting Policies

The City of Clarinda is a political subdivision of the State of Iowa located in Page County. It was first incorporated in 1853 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development and general government services. The City also provides water and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Clarinda has included all funds, organizations, agencies, boards, commissions and authorities except for the Enterprise, Clarinda Regional Medical Center and Affiliate Fund. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City.

These financial statements present the City of Clarinda (the primary government), the Clarinda Economic Development Corporation, the Clarinda Library Foundation and Clarinda Fire and Rescue (component units). These component units, discussed below, are included in the City's reporting entity because of the significance of their operational or financial relationship with the City. These nonprofit organizations were formed under Chapter 504A of the Code of Iowa.

Discretely Presented Component Unit

The Clarinda Economic Development Corporation (CEDC) is presented in a separate column to emphasize it is legally separate from the City, but is financially accountable to the City or its relationship with the City is such that exclusion would cause the City's financial statements to be misleading or incomplete. The CEDC is governed by a nine-member board. One member is elected from the Clarinda City Council. The CEDC is dependent on City funding to maintain its existence.

Blended Component Units

The Clarinda Library Foundation (Foundation) and Clarinda Fire and Rescue (Fire and Rescue) are legally separate from the City, but are so intertwined with the City they are, in substance, part of the City. The Foundation and Fire and Rescue collect donations which are to be used to purchase items not included in the City's budget and to make donations to the City to help finance a new library and fire equipment. The financial transactions are reported as Special Revenue Funds of the City.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the Page County Assessor's Conference Board, the Page County Emergency Management Commission, the Page County Joint E911 Service Board and the Page County Landfill.

Related Organization

The City Council is also responsible for appointing the members of the Low Rent Housing Board, but the City's accountability for this organization does not extend beyond making the appointments.

B. Basis of Presentation

Government-wide Financial Statement - The Cash Basis Statement of Activities and Net Position (previously referred to as net assets) reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories/components:

Nonexpendable restricted net position is subject to externally imposed stipulations which require the cash balance to be maintained permanently by the City, including the City's Permanent Funds.

Expendable restricted net position results when constraints placed on the use of cash balances are either externally imposed or are imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of cash balances not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints on resources imposed by management which can be removed or modified.

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a

given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds and enterprise funds are aggregated and reported as nonmajor governmental funds and nonmajor proprietary funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts from general and emergency levies and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

The Employee Benefits Fund is used to account for the employee benefit property tax levy for the payment of employee benefits.

The Local Option Sales Tax Fund is used to account for local option sales tax collections.

The Tax Increment Financing Fund is used to account for tax increment financing collections and the repayment of tax increment financing indebtedness.

The Debt Service Fund is utilized to account for property tax and other revenues to be used for the payment of interest and principal on the City's general long-term debt.

The Capital Projects Fund is utilized to account for all resources used in the acquisition and construction of capital facilities with the exception of those financed through Enterprise Funds.

The City reports the following major proprietary funds:

The Enterprise, Water Fund accounts for the operation and maintenance of the City's water system.

The Enterprise, Sewer Fund is used to account for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

C. Measurement Focus and Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2013, disbursements exceeded the amount budgeted in the culture and recreation function.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2013 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

(3) Bonds Payable

Annual debt service requirements to maturity for general obligation bonds and water revenue bonds are as follows:

| Year Ending June 30, | General Obligation Bonds | | Water Revenue Bonds | | Total | |
|----------------------------|-----------------------------|----------|------------------------|-----------|-----------|-----------|
| | Principal | Interest | Principal | Interest | Principal | Interest |
| 2014 | \$ 560,000 | 82,505 | 292,000 | 138,810 | 852,000 | 221,315 |
| 2015 | 575,000 | 73,543 | 301,000 | 130,050 | 876,000 | 203,593 |
| 2016 | 405,000 | 62,516 | 311,000 | 121,020 | 716,000 | 183,536 |
| 2017 | 405,000 | 54,208 | 321,000 | 111,690 | 726,000 | 165,898 |
| 2018 | 420,000 | 44,857 | 331,000 | 102,060 | 751,000 | 146,917 |
| 2019-2023 | 1,180,000 | 64,097 | 1,826,000 | 354,630 | 3,006,000 | 418,727 |
| 2024-2026 | - | - | 1,245,000 | 75,480 | 1,245,000 | 75,480 |
| Total | \$ 3,545,000 | 381,726 | 4,627,000 | 1,033,740 | 8,172,000 | 1,415,466 |

Water Revenue Bonds

On October 19, 2005, the City entered into a State Revolving Fund loan and disbursement agreement with the Iowa Finance Authority, the Iowa Department of Natural Resources and Wells Fargo Bank Iowa, N.A. (Trustee) for the issuance of \$6,500,000 of drinking water revenue bonds with interest at 3% per annum. The total amount borrowed by the City was \$6,409,000. The agreement also requires the City to annually pay a .25% servicing fee on the outstanding principal balance. The bonds were issued pursuant to the provisions of Sections 384.24A and 384.83 of the Code of Iowa for the purpose of paying the cost of construction of a drinking water treatment facility. During fiscal year 2013, the City made a principal payment of \$282,000 and interest payments totaling \$147,270, leaving a principal balance of \$4,627,000 at June 30, 2013.

The City has pledged future water customer receipts, net of specified operating disbursements, to repay the water revenue bonds. The bonds are payable solely from water customer net receipts. Annual principal and interest payments on the bonds are generally expected to require less than 61% of net receipts. The total principal and interest remaining to be paid on the bonds is \$5,660,740. For the current year, principal and interest paid and total customer net receipts were \$429,270 and \$712,678, respectively.

The resolution providing for the issuance of the water revenue bonds includes the following provisions.

- (a) The bonds will only be redeemed from the future earnings of the enterprise activity and the bond holders hold a lien on the future earnings of the funds.
- (b) The rents, rates and other charges shall be at least sufficient to meet the operation and maintenance expenses of such water system and to produce and maintain net revenues at a level not less than 110% of the amount of principal and interest on the revenue bonds.

(4) Pension and Retirement Benefits

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Most regular plan members are required to contribute 5.78% of their annual covered salary and the City is required to contribute 8.67% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2013, 2012 and 2011 were \$116,871, \$107,595 and \$93,186, respectively, equal to the required contributions for each year.

(5) Other Postemployment Benefits (OPEB)

Plan Description - The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. There are 26 active and 3 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with United Healthcare. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees.

Funding Policy - The contribution requirements of plan members are established and may be amended by the City. The City currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$600 for single coverage and \$1,620 for family coverage. For the year ended June 30, 2013, the City contributed \$435,283 and plan members eligible for benefits contributed \$39,676 to the plan.

(6) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation, sick leave and compensatory hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation, sick leave and compensatory hours payable to employees at June 30, 2013, primarily relating to the General Fund and the Enterprise, Water and Sewer Funds, is as follows:

| Type of Benefit | Amount |
|-------------------|------------------|
| Vacation | \$108,000 |
| Holiday | 19,000 |
| Compensatory time | <u>15,000</u> |
| Total | <u>\$142,000</u> |

This liability has been computed based on rates of pay in effect at June 30, 2013.

(7) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2013 is as follows:

| Transfer to | Transfer from | Amount |
|------------------|-------------------------|-------------------|
| General | Special Revenue: | |
| | Local Option Sales Tax | \$ 315,719 |
| Debt Service | Special Revenue: | |
| | Local Option Sales Tax | 59,331 |
| | Tax Increment Financing | 161,139 |
| | Capital Projects | 84,780 |
| | | <u>305,250</u> |
| Capital Projects | General | 51,761 |
| | Special Revenue: | |
| | Local Option Sales Tax | 93,763 |
| | | <u>145,524</u> |
| Total | | <u>\$ 766,493</u> |

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

(8) Development and Rebate Agreements

The City has entered into two development and rebate agreements to assist in urban renewal projects. The City agreed to rebate incremental property tax paid by the developers in exchange for public improvement infrastructure constructed by the developers as set forth in the urban renewal plan.

In accordance with the development and rebate agreements, the incremental property tax to be received by the City under Chapter 403.19 of the Code of Iowa from the developers will be rebated for a period of ten years beginning with the tax year in which property tax on the completed value of the improvement is first paid. The total amount rebated each year shall represent 100% of the incremental property tax received by the City, not to exceed \$470,000. During the year ended June 30, 2013, the City rebated \$43,454 of the incremental property tax received. The total cumulative amount rebated since inception of the agreements is \$318,234. The outstanding balance on the agreements at June 30, 2013 was \$151,766.

These agreements are not a general obligation of the City. However, the agreements are subject to the constitutional debt limitation of the City.

(9) Risk Management

The City is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 679 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 150% of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's contributions to the Pool for the year ended June 30, 2013 were \$54,570.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim. For members requiring specific coverage from \$3,000,000 to \$15,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location, with excess coverage reinsured by the Lexington Insurance Company.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2013, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their casualty capital contributions. If a member withdraws after the sixth year, the member is refunded 100% of its casualty capital contributions. However, the refund is reduced by an amount equal to the annual casualty operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The City also carries commercial insurance purchased from other insurers for coverage associated with workers' compensation, property, airport liability and employee blanket bond in the amount of \$1,000,000, \$25,760,520, \$1,000,000 and \$250,000, respectively. The City assumes liability for any deductibles, and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(10) Restatement

The July 1, 2012 cash basis net position of the business type activities and the cash balance of the Enterprise Funds have been restated to exclude the Clarinda Regional Health Center and Affiliate because the Health Center and Affiliate report in accordance with generally accepted accounting principles, a financial reporting framework which differs from the cash basis of accounting used by the City.

| | <u>Business Type Activities/ Enterprise Funds</u> |
|--|---|
| Balance June 30, 2012, as previously reported | \$ 11,276,835 |
| Exclusion of Clarinda Regional Health Center and Affiliate | <u>(9,371,465)</u> |
| Balance July 1, 2012, as restated | <u><u>\$ 1,905,370</u></u> |

City of Clarinda

Other Information

City of Clarinda
Budgetary Comparison Schedule
of Receipts, Disbursements, and Changes in Balances –
Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds

Other Information

Year ended June 30, 2013

| | Governmental Funds Actual | Proprietary Funds Actual (Excluding Clarinda Regional Health Center) | Unaudited Clarinda Regional Health Center Actual | Less Funds not Required to be Budgeted |
|---|---------------------------------|--|--|---|
| Receipts: | | | | |
| Property tax | \$ 2,062,717 | - | - | - |
| Tax increment financing | 111,514 | - | - | - |
| Other city tax | 569,565 | - | - | - |
| Licenses and permits | 11,814 | - | - | - |
| Use of money and property | 57,934 | 1,433 | 42,941 | 834 |
| Intergovernmental | 939,497 | - | - | 10,000 |
| Charges for service | 388,888 | 2,365,641 | 22,685,130 | - |
| Miscellaneous | 304,320 | 1,315 | 2,234,004 | 199,301 |
| Total receipts | 4,446,249 | 2,368,389 | 24,962,075 | 210,135 |
| Disbursements: | | | | |
| Public safety | 1,229,097 | - | - | 178,827 |
| Public works | 641,000 | - | - | - |
| Health and social services | 1,034 | - | - | - |
| Culture and recreation | 964,396 | - | - | 23,091 |
| Community and economic development | 94,313 | - | - | - |
| General government | 340,090 | - | - | - |
| Debt service | 646,412 | - | - | - |
| Capital projects | 806,227 | - | - | - |
| Business type activities | - | 1,994,409 | 23,955,831 | - |
| Total disbursements | 4,722,569 | 1,994,409 | 23,955,831 | 201,918 |
| Excess (deficiency) of receipts over (under) disbursements | (276,320) | 373,980 | 1,006,244 | 8,217 |
| Other financing sources, net | 750 | - | 500 | 750 |
| Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses | (275,570) | 373,980 | 1,006,744 | 8,967 |
| Balances beginning of year | 2,171,504 | 1,905,370 | 9,371,465 | 128,399 |
| Balances end of year | \$ 1,895,934 | 2,279,350 | 10,378,209 | 137,366 |

See accompanying independent auditor's report.

| Total | Budgeted Amounts | | Final to Total Variance |
|------------|------------------|------------|-------------------------------|
| | Original | Final | |
| 2,062,717 | 2,047,066 | 2,047,066 | 15,651 |
| 111,514 | 113,000 | 113,000 | (1,486) |
| 569,565 | 526,536 | 526,536 | 43,029 |
| 11,814 | 8,000 | 8,000 | 3,814 |
| 101,474 | 6,000 | 6,000 | 95,474 |
| 929,497 | 2,133,000 | 2,155,000 | (1,225,503) |
| 25,439,659 | 27,689,245 | 27,769,245 | (2,329,586) |
| 2,340,338 | 40,200 | 40,200 | 2,300,138 |
| 31,566,578 | 32,563,047 | 32,665,047 | (1,098,469) |
| 1,050,270 | 1,109,199 | 1,109,199 | 58,929 |
| 641,000 | 686,954 | 691,954 | 50,954 |
| 1,034 | 44,000 | 44,000 | 42,966 |
| 941,305 | 845,253 | 940,253 | (1,052) |
| 94,313 | 129,220 | 139,220 | 44,907 |
| 340,090 | 340,514 | 340,514 | 424 |
| 646,412 | 648,421 | 648,421 | 2,009 |
| 806,227 | 1,800,000 | 1,800,000 | 993,773 |
| 25,950,240 | 26,869,335 | 27,904,335 | 1,954,095 |
| 30,470,891 | 32,472,896 | 33,617,896 | 3,147,005 |
| 1,095,687 | 90,151 | (952,849) | 2,048,536 |
| 500 | - | - | 500 |
| 1,096,187 | 90,151 | (952,849) | 2,049,036 |
| 13,319,940 | 9,252,843 | 9,252,843 | 4,067,097 |
| 14,416,127 | 9,342,994 | 8,299,994 | 6,116,133 |

City of Clarinda

Notes to Other Information – Budgetary Reporting

June 30, 2013

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except the blended component units. The City's budget includes the Clarinda Regional Health Center and Affiliate, a city department which is excluded from the City's financial statements because the Health Center uses a financial reporting framework which differs from the framework used by the City. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund, the Permanent Funds and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$1,145,000. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2013, disbursements exceeded the amount budgeted in the culture and recreation function.

Supplementary Information

City of Clarinda

Schedule of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Governmental Funds

As of and for the year ended June 30, 2013

| | Special Revenue | | |
|---|---------------------|-----------------------------------|--------------------------------|
| | Library Memorial | Clarinda Library Foundation | Clarinda Fire and Rescue |
| Receipts: | | | |
| Use of money and property | \$ 471 | 282 | 552 |
| Intergovernmental | - | - | 10,000 |
| Miscellaneous | - | 35,964 | 163,337 |
| Total receipts | 471 | 36,246 | 173,889 |
| Disbursements: | | | |
| Operating: | | | |
| Public safety | - | - | 178,827 |
| Culture and recreation | - | 23,091 | - |
| Total disbursements | - | 23,091 | 178,827 |
| Excess (deficiency) of receipts over (under) disbursements | 471 | 13,155 | (4,938) |
| Other financing uses: | | | |
| Sale of capital assets | - | - | 750 |
| Change in cash balances | 471 | 13,155 | (4,188) |
| Cash balances beginning of year | 13,114 | 56,566 | 71,833 |
| Cash balances end of year | \$ 13,585 | 69,721 | 67,645 |
| Cash Basis Fund Balances | | | |
| Nonspendable: | | | |
| Cemetery perpetual care | \$ - | - | - |
| Library | - | - | - |
| Restricted for other purposes | 13,585 | 69,721 | 67,645 |
| Total cash basis fund balances | \$ 13,585 | 69,721 | 67,645 |

See accompanying independent auditor's report.

| Permanent | | | |
|-------------------------------|----------------------|--------------------|---------|
| Cemetery Perpetual Care | Library Endowment | Library Bequest | Total |
| - | - | - | 1,305 |
| - | - | - | 10,000 |
| - | 9,433 | - | 208,734 |
| - | 9,433 | - | 220,039 |
| - | - | - | 178,827 |
| - | 1,426 | - | 24,517 |
| - | 1,426 | - | 203,344 |
| - | 8,007 | - | 16,695 |
| - | - | - | 750 |
| - | 8,007 | - | 17,445 |
| 60,666 | 136,712 | 100,000 | 438,891 |
| 60,666 | 144,719 | 100,000 | 456,336 |
| 60,666 | - | - | 60,666 |
| - | 144,719 | 100,000 | 244,719 |
| - | - | - | 150,951 |
| 60,666 | 144,719 | 100,000 | 456,336 |

City of Clarinda

City of Clarinda

Schedule of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Proprietary Funds

As of and for the year ended June 30, 2013

| | Enterprise | | |
|---|---------------|----------------|----------|
| | Yard Waste | Storm Water | Total |
| Operating receipts: | | | |
| Charges for service | \$ 24,046 | 62,596 | 86,642 |
| Operating disbursements: | | | |
| Business type activities | 13,689 | 31,169 | 44,858 |
| Excess of operating receipts over operating disbursements | 10,357 | 31,427 | 41,784 |
| Non-operating receipts (disbursements): | | | |
| Interest on investments | 337 | - | 337 |
| Acquisition of capital and other assets | - | (11,291) | (11,291) |
| Net non-operating receipts (disbursements) | 337 | (11,291) | (10,954) |
| Change in cash balances | 10,694 | 20,136 | 30,830 |
| Cash balances beginning of year | 46,324 | 50,699 | 97,023 |
| Cash balances end of year | \$ 57,018 | 70,835 | 127,853 |
| Cash Basis Fund Balances | | | |
| Unrestricted | \$ 57,018 | 70,835 | 127,853 |

See accompanying independent auditor's report.

City of Clarinda
Schedule of Indebtedness
June 30, 2013

| Obligation | Date of Issue | Interest Rates | Amount Originally Issued |
|---------------------------------|------------------|-------------------|--------------------------------|
| General obligation bonds: | | | |
| Corporate purpose | Aug 1, 2009 | 1.75-4.00% | \$ 1,100,000 |
| Refunding | Mar 25, 2010 | 0.80-2.20 | 1,470,000 |
| Corporate purpose and refunding | Jul 15, 2011 | 0.80-2.85 | 1,650,000 |
| Corporate purpose | Oct 28, 2011 | 0.65-2.55 | 1,000,000 |
| Total | | | |
| Revenue bonds: | | | |
| Water | Oct 19, 2005 * | 3.00 | \$ 6,409,000 |

* The agreement also requires the City to annually pay a .25% servicing fee on the outstanding balance.

See accompanying independent auditor's report.

| Balance Beginning of Year | Issued During Year | Redeemed During Year | Balance End of Year | Interest Paid |
|---------------------------------|--------------------------|----------------------------|---------------------------|------------------|
| 975,000 | - | 110,000 | 865,000 | 33,528 |
| 520,000 | - | 170,000 | 350,000 | 9,292 |
| 1,595,000 | - | 165,000 | 1,430,000 | 30,695 |
| 1,000,000 | - | 100,000 | 900,000 | 25,697 |
| <u>\$ 4,090,000</u> | <u>-</u> | <u>545,000</u> | <u>3,545,000</u> | <u>99,212</u> |
| 4,909,000 | - | 282,000 | 4,627,000 | 147,270 |

City of Clarinda

Bond Maturities

June 30, 2013

| General Obligation Bonds | | | | | | |
|----------------------------|--------------------|-------------------|---------------------|-------------------|------------------------------------|---------------------|
| Year Ending June 30, | Corporate Purpose | | Refunding | | Corporate Purpose and Refunding | |
| | Issued Aug 1, 2009 | | Issued Mar 25, 2010 | | Issued Jul 15, 2011 | |
| | Interest | | Interest | | Interest | |
| | Rates | Amount | Rates | Amount | Rates | Amount |
| 2014 | 2.90% | \$ 110,000 | 1.75% | 175,000 | 1.10% | \$ 170,000 |
| 2015 | 3.15 | 120,000 | 2.20 | 175,000 | 1.35 | 170,000 |
| 2016 | 3.40 | 120,000 | - | - | 1.60 | 175,000 |
| 2017 | 3.60 | 120,000 | - | - | 1.90 | 175,000 |
| 2018 | 3.75 | 125,000 | - | - | 2.25 | 180,000 |
| 2019 | 3.90 | 135,000 | - | - | 2.50 | 185,000 |
| 2020 | 4.00 | 135,000 | - | - | 2.70 | 185,000 |
| 2021 | | - | - | - | 2.85 | 190,000 |
| Total | | <u>\$ 865,000</u> | | <u>\$ 350,000</u> | | <u>\$ 1,430,000</u> |

| Revenue Bonds | | |
|----------------------------|---------------------|---------------------|
| Year Ending June 30, | Water | |
| | Issued Oct 19, 2005 | |
| | Interest | |
| | Rates | Amount |
| 2014 | 3.00% | \$ 292,000 |
| 2015 | 3.00 | 301,000 |
| 2016 | 3.00 | 311,000 |
| 2017 | 3.00 | 321,000 |
| 2018 | 3.00 | 331,000 |
| 2019 | 3.00 | 342,000 |
| 2020 | 3.00 | 353,000 |
| 2021 | 3.00 | 365,000 |
| 2022 | 3.00 | 377,000 |
| 2023 | 3.00 | 389,000 |
| 2024 | 3.00 | 402,000 |
| 2025 | 3.00 | 415,000 |
| 2026 | 3.00 | 428,000 |
| Total | | <u>\$ 4,627,000</u> |

See accompanying independent auditor's report.

| Corporate Purpose | | |
|---------------------|-------------------|------------------|
| Issued Oct 28, 2011 | | |
| Interest | | |
| Rates | Amount | Total |
| 0.8% | 105,000 | 560,000 |
| 1.00 | 110,000 | 575,000 |
| 1.30 | 110,000 | 405,000 |
| 1.55 | 110,000 | 405,000 |
| 1.85 | 115,000 | 420,000 |
| 2.15 | 115,000 | 435,000 |
| 2.40 | 115,000 | 435,000 |
| 2.55 | 120,000 | 310,000 |
| | <u>\$ 900,000</u> | <u>3,545,000</u> |

City of Clarinda

Schedule of Receipts By Source and Disbursements By Function -
All Governmental Funds

For the Last Ten Years

| | 2013 | 2012 | 2011 |
|------------------------------------|--------------|-----------|-----------|
| Receipts: | | | |
| Property tax | \$ 2,062,717 | 2,084,968 | 2,043,926 |
| Tax increment financing | 111,514 | - | 60,400 |
| Other city tax | 569,565 | 517,015 | 518,382 |
| Licenses and permits | 11,814 | 13,667 | 10,165 |
| Use of money and property | 57,934 | 38,897 | 10,605 |
| Intergovernmental | 939,497 | 682,598 | 1,182,714 |
| Charges for service | 388,888 | 329,354 | 346,033 |
| Miscellaneous | 336,820 | 124,753 | 179,666 |
| Total | \$ 4,478,749 | 3,791,252 | 4,351,891 |
| Disbursements: | | | |
| Operating: | | | |
| Public safety | \$ 1,229,097 | 1,094,803 | 1,037,992 |
| Public works | 641,000 | 652,449 | 792,443 |
| Health and social services | 1,034 | 14,705 | 26,761 |
| Culture and recreation | 964,396 | 830,245 | 805,352 |
| Community and economic development | 94,313 | 96,138 | 89,868 |
| General government | 340,090 | 340,325 | 302,712 |
| Debt service | 646,412 | 1,201,605 | 682,311 |
| Capital projects | 806,227 | 1,449,831 | 1,498,207 |
| Total | \$ 4,722,569 | 5,680,101 | 5,235,646 |

See accompanying independent auditor's report.

| 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 |
|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| 1,894,638 | 1,850,058 | 1,932,527 | 1,828,565 | 1,726,674 | 1,586,760 | 1,475,004 |
| 241,728 | 206,498 | 124,820 | 106,557 | 62,759 | 11,685 | - |
| 466,879 | 479,791 | 465,471 | 469,272 | 451,297 | 395,003 | 403,456 |
| 9,281 | 10,428 | 12,081 | 9,712 | 9,938 | 9,512 | 8,948 |
| 26,583 | 21,951 | 36,918 | 31,352 | 30,480 | 62,875 | 44,514 |
| 873,209 | 628,433 | 710,728 | 1,740,055 | 1,592,450 | 573,785 | 726,244 |
| 312,698 | 322,411 | 306,908 | 286,852 | 275,526 | 264,716 | 256,303 |
| 311,916 | 148,436 | 360,480 | 212,719 | 167,729 | 934,953 | 710,787 |
| 4,136,932 | 3,668,006 | 3,949,933 | 4,685,084 | 4,316,853 | 3,839,289 | 3,625,256 |
| 947,949 | 921,107 | 844,163 | 847,801 | 977,718 | 940,357 | 921,658 |
| 775,374 | 580,188 | 594,886 | 542,108 | 450,075 | 441,016 | 467,568 |
| 26,991 | 21,175 | 19,298 | 27,928 | 38,293 | 33,371 | 3,500 |
| 767,050 | 763,169 | 722,635 | 742,258 | 946,885 | 843,964 | 842,821 |
| 103,110 | 87,326 | 120,168 | 96,746 | 115,454 | 136,940 | 160,694 |
| 282,881 | 252,127 | 244,413 | 287,921 | 349,429 | 386,249 | 328,775 |
| 2,063,475 | 592,485 | 678,285 | 676,808 | 673,165 | 2,230,532 | 1,870,911 |
| 651,342 | 438,878 | 434,650 | 1,247,898 | 1,372,219 | 1,384,965 | 1,828,052 |
| 5,618,172 | 3,656,455 | 3,658,498 | 4,469,468 | 4,923,238 | 6,397,394 | 6,423,979 |

City of Clarinda



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Mary Mosiman, CPA
Auditor of State

Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Honorable Mayor and
Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Clarinda, Iowa, as of and for the year ended June 30, 2013, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated April 4, 2014. The financial statements were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles. Our report expressed unmodified opinions on the governmental activities, the General Fund, the major Special Revenue Funds, including the Road Use Tax, the Employee Benefits, the Local Option Sales Tax and the Tax Increment Financing Funds, the Debt Service Fund, the Capital Projects Fund, the major Enterprise Funds, including the Water and Sewer Funds, and the aggregate remaining fund information of the City of Clarinda, Iowa, as of June 30, 2013. We expressed adverse opinions on the business type activities and the Enterprise, Clarinda Regional Health Center and Affiliate Fund.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Clarinda's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Clarinda's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Clarinda's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified a deficiency in internal control we consider to be a material weakness and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of Clarinda's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in the accompanying Schedule of Findings as item (A) to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in of the accompanying Schedule of Findings as items (B) through (D) to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Clarinda's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2013 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.


The City of Clarinda's Responses to the Findings


The City of Clarinda's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. The City of Clarinda's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Clarinda during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.


MARY MOSIMAN, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

April 4, 2014

City of Clarinda

Schedule of Findings

Year ended June 30, 2013

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

- (A) Utility Reconciliation – Reconciliations of utility billings, collections and delinquent accounts are not documented for each billing cycle. The City does not retain a monthly delinquent utility listing.

Recommendation – Procedures should be established to document the reconciliation of utility billings, collections and delinquent accounts for each billing period. An independent person should review the utility reconciliation and document their review. The City should retain a copy of the monthly delinquent utility listing.

Response – The City of Clarinda will review current procedures and move towards a more adequate solution to complete the reconciliation and review of utility billings, collections and delinquent accounts.

Conclusion – Response accepted.

- (B) Segregation of Duties – While there was evidence of review of the monthly reconciliations of the Clerk's balances to the bank accounts and investments by an independent person, this review was not performed timely. Also, there was no evidence the bank reconciliation review included the review of checks which cleared in the monthly bank statements.

Recommendation – To improve financial accountability and control, the monthly reconciliations should be reviewed timely by an independent person and the review of cleared checks should be documented.

Response – The Utility Billing Clerk is currently reviewing monthly reconciliations of the Clerk's balances to the bank accounts and investments and is performing the review within one week of completion of the bank reconciliations. The Utility Billing Clerk is currently initialing each page reviewed. This procedure was implemented in fiscal year 2014.

Conclusion – Response accepted.

- (C) Computer Systems – The City does not have written policies for requiring changes to passwords every 60 to 90 days.

Recommendation – The City should develop a written policy requiring changes to passwords every 60 to 90 days.

Response – The City is currently working with Data Technologies (software vendor) to program City software to require password changes every 60 to 90 days.

Conclusion – Response accepted.

City of Clarinda

Schedule of Findings

Year ended June 30, 2013

- (D) Segregation of Duties - Separately Maintained Records – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. For the separately maintained records of the Library Foundation and Clarinda Fire and Rescue, the cash receipts listing, bank deposits, the posting of cash receipts to the cash receipts journal, disbursement preparation and check signing are all performed by the same person. Also, prenumbered receipts are not issued for all collections.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the Library Foundation and Clarinda Fire and Rescue should review their control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including administrative personnel.

Responses:

Library Foundation – Due to a limited number of Board members, segregation of duties is difficult. Nothing is done without a motion from the Board.

Clarinda Fire and Rescue – Due to a limited number of Board members, segregation of duties is not possible. All claims must be approved by the Board before payment can be made.

Conclusions – Responses acknowledged. The Library Foundation and Clarinda Fire and Rescue should segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of Clarinda

Schedule of Findings

Year ended June 30, 2013

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements during the year ended June 30, 2013 exceeded the amount budgeted in the culture and recreation function. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – The City will closely monitor expenditures on a monthly basis and approve budget amendments in a more timely fashion.

Conclusion – Response accepted.

- (2) Questionable Disbursements – No disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.

- (3) Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

- (4) Business Transactions – Business transaction between the City and City officials or employees are detailed as follows:

| Name, Title and Business Connection | Transaction Description | Amount |
|---|----------------------------|----------|
| Jeff McCall, Council Member, Owner of McCall Carpentry | Fence repair | \$10,071 |
| Lisa Hull, Council Member, Owner of CL Fabrication | Repair and maintenance | 3,855 |

In accordance with Chapter 362.5(3)(j) of the Code of Iowa, these transactions may represent conflicts of interest since the total amounts with each individual exceeded \$1,500 during the fiscal year.

Recommendation – The City should consult legal counsel to determine the disposition of this matter.

Response – The City will consult the City Attorney to determine if there is a conflict of interest.

Conclusion – Response accepted.

- (5) Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.

- (6) City Council Minutes – No transactions were found that we believe should have been approved in the City Council minutes but were not.

City of Clarinda

Schedule of Findings

Year ended June 30, 2013

- (7) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City's investment policy were noted.
- (8) Revenue Bonds – No instances of non-compliance with the revenue bond resolution were noted.
- (9) Annual Urban Renewal Report – The annual urban renewal report was properly approved and certified to the Iowa Department of Management on or before December 1. The City understated the amount reported as TIF debt outstanding by \$105,807.

Recommendation – The City should ensure the amount reported as outstanding TIF debt agrees with the City's records.

Response - The City will review the amounts reported in the Annual Urban Renewal Report and ensure they equal the TIF debt outstanding amounts.

Conclusion – Response accepted.

City of Clarinda

Staff

This audit was performed by:

Donna F. Kruger, CPA, Manager
Tracey L. Gerrish, Staff Auditor
Jessica L. Barloon, Staff Auditor
Tyler L. Bishop, Intern Auditor

A handwritten signature in black ink, reading "Andrew E. Nielsen". The signature is fluid and cursive, with the first name "Andrew" and last name "Nielsen" clearly legible.

Andrew E. Nielsen, CPA
Deputy Auditor of State